

**RESOLUTION OF THE RETI STAKEHOLDER STEERING COMMITTEE  
PROPOSED BY THE  
RETI ENVIRONMENTAL WORKING GROUP  
ON THE  
METHODOLOGY FOR INTEGRATING MONETARY AND ENVIRONMENTAL COSTS  
IN THE CREZ RANKING PROCESS  
JULY 16, 2008**

The RETI Environmental Working Group (EWG) was established by the RETI Stakeholder Steering Committee (SSC) to recommend methodologies for 1) assessing the relative environmental costs associated with development of Competitive Renewable Energy Zones (CREZs) and for 2) integrating the environmental assessment with the assessment of monetary costs being performed by Black & Veatch in Phase 1B of the RETI process.

This proposed resolution (the “**integration methodology resolution**”) addresses the integration methodology. A separate resolution (the “**environmental cost methodology resolution**”) addressing the methodology for assessing environmental costs is also proposed for discussion at the July 16, 2008 SSC meeting.

**RESOLVED:**

The RETI Stakeholder Steering Committee approves the methodology proposed by the Environmental Working Group for integrating the monetary and environmental costs associated with CREZ development. This methodology is described as follows:

1. The EWG shall estimate the expected relative environmental costs that would be associated with the development of each CREZ identified by Black & Veatch in RETI Phase 1B, using criteria and a methodology approved by the SSC. (See the environmental cost methodology resolution.)
2. The EWG shall identify those CREZs with the least estimated environmental cost, development of which would be sufficient to meet the state’s renewable energy goals, i.e., those CREZs which pass the least environmental cost “screen”. The EWG and Black & Veatch shall use the same renewable energy targets for purposes of identifying preferred CREZs.
3. Those CREZs identified as having both the least environmental and monetary costs (i.e., CREZs passing both the environmental and monetary screens) shall be deemed appropriate for consideration of transmission access in RETI Phase 2.
4. Those CREZs which pass the environmental screen but not the monetary screen, or vice versa, shall be reassessed by the EWG and Black & Veatch jointly using a methodology approved by the SSC. Following reassessment, a number of these CREZs with the least environmental and monetary costs which, together with CREZs passing both screens, are sufficient to meet the state’s renewable energy goals shall be identified and also be deemed appropriate for consideration of transmission access in RETI Phase 2.

**DISCUSSION**

RETI is committed to identifying CREZs preferred for development through a process that is transparent and objective. RETI is also committed to consideration of both monetary and environmental costs when identifying preferred CREZs. However, the method by which these two costs would be integrated was not identified in the RETI Phase 1A report. This resolution is the consensus recommendation from the EWG to the SSC for the integration process.

If this resolution is adopted by the SSC, the EWG would develop a “supply curve” based on relative environmental costs similar to the supply curve based on monetary costs being developed by Black & Veatch, as described in the Phase 1A report. The proposed methodology for developing the environmental supply curve is described in the **environmental cost methodology resolution**. Each supply curve would have a cut-off point, to be determined by the SSC, that would include CREZs sufficient to meet the state’s energy goals. Under this proposal, CREZs making the “cut” in both supply curves would move forward into the Phase 2 process.

It is expected that a large percentage of the CREZs will make the cut in both supply curves. However, inevitably some CREZs would pass one screen but not the other. Under this proposal, these CREZs would be reassessed—and perhaps modified—in a process yet to be developed and approved by the SSC, and a sufficient number of these CREZs having least costs would be identified and added to CREZs passing both screens in Phase 2.

The alternative to the proposed integration methodology is to combine the monetary and environmental costs into a single measure for ranking the CREZs. In order to do so, however, some weighting factor is required that represents the relative value of monetary and environmental costs. The EWG knows of no such weighting factor that is objective and based on accepted and transparent data. The EWG therefore rejected this alternative approach.